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INFO OCT-01 ISO-00 SIL-01 LAB-04 CIAE-00 PM-04 H-01 INR-07

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TAGS: PINT, ELAB, PINR, IT, EFIN

SUBJECT: LABOR NEGOTIATIONS AND AUSTERITY

REF: (A) ROME 19772 (B) ROME 19783 (C) ROME 19763 (D) ROME 19405

1. SUMMARY. AFTER A CORDIAL BUT INCONCLUSIVE THIRD LABOR-COST-REDUCTION NEGOTIATING SESSION WITH CONFINDUSTRIA DECEMBER 2, LABOR'S LEADERSHIP (CCU) MET WITH PM ANDREOTTI AND HIS ECONOMIC MINISTERS DECEMBER 4. THEY OBTAINED A GOI COMMITMENT TO REOPEN STALLED PUBLIC EMPLOYEE NEGOTIATIONS AND OFFER MODEST SALARY INCREASES. THEY ALSO SOUGHT, WITH LIMITED SUCCESS, TO PIN DOWN THE EXTENT OF AUSTERITY NEEDS AND ASCERTAIN AND URGE EXPANSION OF GOI INVESTMENT AND EMPLOYMENT CREATION PLANS (REF C). CCU'S SECRETARITAT IS MEETING

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THIS WEEK TO AGREE ON A STATUS REPORT AND PROPOSALS TO PRESENT TO

CCU'S EXECUTIVE COMMITTEE DECEMBER 9-10. RUMORS AND PRESS REPORTS INDICATE THAT CGIL SEC GEN LAMA, UNDER PCI PRESSURE, IS SUGGESTING (AND TOLD ANDREOTTI) THAT CCU SHOULD AGREE TO SEMI-ANNUAL, RATHER THAN QUARTERLY, COST-OF-LIVING ADJUSTMENTS AND TO SOME MODIFICATIONS IN THE "BASKET". HOWEVER, THERE IS STRONG INTERNAL CCU RESISTANCE TO ANY SUCH MODIFICATIONS OF THE ESCALATOR SYSTEM.

2. MEANWHILE, THE COST-OF-LIVING ESCALATOR FREEZE DECREE WAS ENACTED BY THE SENATE WITH MINOR AMENDMENTS AND CHAMBER PASSAGE AND ENTRY INTO LAW IS EXPECTED BY DECEMBER 10. PUBLIC EMPLOYEE NEGOTIATIONS BEGIN DECEMBER 9, WITH FAIRLY GOOD PROSPECTS FOR A MODEST SETTLEMENT. CCU PUBLIC EMPLOYEE UNIONS (BUT NOT AUTONOMOUS UNIONS) HAVE SUSPENDED THEIR STRIKE PLANS PENDING NEGOTIATION RESULTS. CONFININDUSTRIA-CCU NEGOTIATIONS RESUME DECEMBER 13, ON EASIER, PRODUCTIVITY ISSUES, ON WHICH QUICKER PROGRESS MIGHT BE EXPECTED. THE CCU SECRETARIAT MEETS ANDREOTTI AND HIS MINISTERS AGAIN DECEMBER 15, TO HEAR MORE ABOUT GOI FISCAL NEEDS AND PLANS. THIS WILL GIVE CCU ANOTHER OPPORTUNITY TO PRESS FOR MORE INVESTMENT AND EMPLOYMENT, AND FOR INCOME TAX (INSTEAD OF VALUE ADDED TAX) INCREASES, IF NEEDED. END SUMMARY.

3. AT THEIR MEETING DECEMBER 2, THE NATIONAL SECRETARIES OF THE UMBRELLA FEDERATION (CCU) OF THE THREE NATIONAL LABOR CONFEDERATIONS (CGIL, CISL AND UIL) AND THE REPRESENTATIVES OF PRIVATE INDUSTRY MANAGEMENT (CONFININDUSTRIA) REITERATED AND CLARIFIED THEIR DIVERGENT POSITIONS ON SEVERAL LABOR-COST-REDUCTION ISSUES, INCLUDING TWO OF THE MOST INTRACTABLE, NAMELY, ADJUSTMENTS IN THE COST-OF-LIVING ESCALATOR AND LIMITATION OF COMPANY-LEVEL WAGE NEGOTIATIONS. THE SESSIONS WERE RELAXED AND CORDIAL AND THE TWO SIDES LEARNED MORE ABOUT EACH OTHER'S POSITIONS, BUT THERE WAS LITTLE OR NO MOVEMENT ON EITHER SIDE, WITH BOTH WAITING FOR FURTHER INFORMATION OR MOVES FROM THE GOI. CCU CONFIRMED ITS UNWILLINGNESS TO NEGOTIATE ANY ADJUSTMENTS IN THE ESCALATOR MECHANISM (SUCH AS EXEMPTION OF NON-WAGE COMPENSATION ITEMS FROM ITS EFFECTS, SEMI-ANNUAL INSTEAD OF QUARTERLY ADJUSTMENTS OR CHANGES IN BASKET COMPONENTS TO MAKE THE ESCALATOR LESS SENSITIVE - A PARTICULARLY EXCLUSION OF FUTURE IVA INCREASES FROM THE BASKET). CCU FAVORED ADJUSTMENTS TO ELIMINATE OR REDUCE "ANOMALOUS" (LARGER THAN NORMAL) COST-OF-LIVING INCREASES ENJOYED LIMITED OFFICIAL USE

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BY SPECIFIC CATEGORIES (E.G. BANK EMPLOYEES, CHEMICAL WORKER) BUT SAID THEY SHOULD BE NEGOTIATED AT THE UNION (FEDERATION)-INDUSTRY LEVELS.

4. CCU ALSO REJECTED CONFININDUSTRIA'S PROPOSAL TO SUSPEND COMPANY-LEVEL CONTRACT RENEWAL NEGOTIATIONS (WHICH WOULD LEAVE CONTRACTS AS IS). CCU INSISTED THAT IT IS SUCCESSFULLY RESTRAINING COMPANY-LEVEL WAGE INCREASE DEMANDS, IN LINE WITH ITS EXPRESSED

POLICY. CCU CHALLENGED CONFINDUSTRIA TO STOP ALL VOLUNTARY MANAGEMENT INCREASES IN COMPENSATION AT COMPANY LEVEL, FAVORING SPECIAL WORKERS OR GROUPS OF WORKERS. CONFINDUSTRIA REFUSED.

COMMENT. CCU SPOKESMEN VIEW THIS CONFINDUSTRIA DEMAND AS MORE AN ATTEMPT TO REASSERT PATERNALISTIC MANAGEMENT CONTROL AT THE EXPENSE OF UNION INFLUENCE AT COMPANY LEVEL, THAN AS AN ATTEMPT TO MODERATE WAGE INCREASES. CCU IS MUCH HAPPIER WITH THE APPROACH OF PUBLIC INDUSTRY MANAGEMENT (INTERSIND) WHICH REPORTEDLY PLANS TO PROPOSE AN ACROSS-THEBOARD WAGE INCREASE CEILING AGREEMENT WITH CCU. EACH ORGAIZATION WOULD THEN UNDERTAKE TO TRY TO IMPOSE THIS ON ITS MEMBER UNIONS AND ENTERPRISES.

5. CCU EXPRESSED WILLINGNESS TO MODIFY OR ELIMINATE THE SENIORITY STEP INCREASE AND SEVERANCE PAY SYSTEMS SO THEY WILL NO LONGER IMPEDE LABOR MOBILITY. CCU WILL PRESENT ITS PROPOSALS LATER (IN ABOUT TWO MONTHS), AFTER IT HAS CONSULTED THE RANK AND FILE. ONE IDEA IT IS CONSIDERING (ACCORDING TO A CCU EXPERT) IS A CENTRAL FUND TO PAY SENIORITY INCREASES BY OCCUPATION, RATHER THAN ON AN INDIVIDUAL COMPANY BASIS. CCU AND CONFINDUSTRIA MEET AGAIN DECEMBER 13 TO DISCUSS MORE EASILY RESOLVED ISSUES: HOLIDAY, VACATIONS, OVERTIME, SHIFTS, ABSENTEEISM AND LABOR MOBILITY. AS REPORTED EARLIER, CCU HAS ALREADY INDICATED WILLINGNESS TO MAKE SUBSTANTIAL ADJUSTMENTS IN MANY OF THESE AREAS TO INCREASE PRODUCTIVITY AND THUS LOWER LABOR COSTS.

6. ON DECEMBER 2, THE SENATE PASSED THE GOVERNMENT'S PARTIAL FREEZE OF COST-OF-LIVING ESCALATOR INCREASES (INTO NON-NEGOTIABLE GOVERNMENT BONDS). AMENDMENTS WERE MINOR (REDUCTION OF DURATION FROM 24 TO 19 MONTHS AND EXPANSION TO COVER PROFESSIONALS WITH STABLE WORK RELATIONSHIPS TO PUBLIC AGENCIES, SUCH AS DOCTORS PROVIDING CARE UNDER THE NATIONAL HEALTH INSURANCE SCHEME). THE CEILINGS FOR THOSE EXEMPT FROM THE FREEZE AND FOR THOSE LIMITED OFFICIAL USE

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HAVING ONLY HALF OF THEIR COST-OF-LIVING INCREASES FROZEN REMAINED UNCHANGED AT SIX AND EIGHT MILLION LIRE RESPECTIVELY. LABOR AND MANAGEMENT EXPECT THE DECREE TO ENTER INTO LAW SUBSTANTIALLY AS IS.

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7. CCU MET WITH PM ANDREOTTI AND HIS ECONOMIC MINISTERS IN A NINE HOUR SESSION DECEMBER 4, WHICH ANDREOTTI LEFT IN THE MIDDLE TO LEAVE FOR THE US. MAJOR ACCOMPLISHMENT WAS AN AGREEMENT TO REOPEN PUBLIC EMPLOYEE CONTRACT RENEWAL NEGOTIATIONS IMMEDIATELY AND TO TRY TO CONCLUDE THEM BEFORE CHRISTMAS, REPORTEDLY (ACCORDING TO UNION SPOKESMEN) WITH THE ASSURANCE THAT A TRILLION LIRE IS AVAILABLE IN 1977 TO MEET SALARY INCREASE DEMANDS, BOTH THOSE RETROACTIVE FOR 1976 AND THOSE FOR 1977. PRESS REPORTS ALSO INDICATE THAT CGIL CHIEF LAMA INDICATED WILLINGNESS TO MAKE COST-OF-LIVING ESCALATOR INCREASES EFFECTIVE SEMI-ANNUALLY INSTEAD OF QUARTERLY, AT LEAST DURING 1977, AND TO MAKE MINOR ADJUSTMENTS IN THE "BASKET" OF PRICES ON WHICH THE ESCALATOR IS BASED, BUT THAT HE WAS NOT SUPPORTED BY CCU SECRETARIES FROM OTHER CONFEDERATIONS.

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8. MOST OF THE MEETING WAS TAKEN UP BY LENGTHY AND COMPLEX GOI RESPONSES TO CCU DEMANDS FOR COMPLETE INFORMATION ON ALL GOI NEEDS AND SACRIFICES GOI FEELS NECESSARY, AS WELL AS GOI PLANS

TO USE THE SACRIFICES TO GET THE ECONOMY MOVING AGAIN THROUGH INVESTMENT AND EMPLOYMENT CREATION (ROME 19783). DESPITE SOME SATISFACTION THAT GOI RESPONDED IN SUCH DETAIL, CCU SECRETARIES ALL EXPRESSED DISAPPOINTMENT IN MODESTRY OF GOI INVESTMENT AND EMPLOYMENT PLANS CCU WILL MEET WITH GOI AGAIN DECEMBER 15, TO RECEIVE FURTHER DETAILS AND ANSWERS TO CCU QUESTIONS ABOUT GOI NEEDS AND AUSTERITY AND INVESTMENT PLANS, AND TO INFORM GOI OF CCU POSITION AFTER ITS OWN INTERNAL MEETINGS AND ITS NEXT NEGOTIATING SESSION WITH CONFINDUSTRIA. ANDREOTTI REPORTEDLY ASKED CCU TO REACH POSITIVE RESULTS IN ITS PRODUCTION COST REDUCTION NEGOTIATIONS WITH CONFINDUSTRIA BEFORE THE END OF 1976-- AND EXTENSION OF THE ORIGINAL ONE MONTH "DEADLINE" HE SET FOR THEM, WHICH WOULD HAVE BEEN REACHED DECEMBER 10.

9. ON DECEMBER 6, THE CCU SECRETARIAT AND THE PUBLIC EMPLOYEE UNIONS OF ITS MEMBER CONFEDERATIONS AGREED TO SUSPEND PLANS FOR A GENERAL STRIKE OF ALL PUBLIC EMPLOYEES AND VARIOUS SECTORAL ("ARTICULATED") STRIKES DURING DECEMBER, AT LEAST UNTIL IT BECOMES CLEAR WHETHER OR NOT THE NEGOTIATIONS, WHICH BEGIN DECEMBER 9, ARE PROCEEDING SATISFACTORILY. HOWEVER, AUTONOMOUS RAIL AND POSTAL UNIONS AND MUNICIPAL AND LOCAL TRANSIT WORKER ARE PROCEEDING WITH PLANS FOR STRIKES OVER CHRISTMAS. GOVERNMENT REFORM (DECENTRALIZATION OF AUTHORITY) AND TRADE UNION RIGHTS ARE THE OTHER MAJOR ISSUES IN THE NEGOTIATIONS, ASIDE FROM SALARY INCREASES.

10. THE CCU SECRETARIAT AND THE SECRETARIATS OF THE THREE CONFEDERATIONS ARE HOLDING MEETINGS THIS WEEK TO AGREE ON THE CCU SECRETARIAT'S REPORT TO THE MEETING OF CCU'S EXECUTIVE COMMITTEE (OR "PARLIAMENT") DECEMBER 9-10. IT IS CGIL'S LAMA'S TRUN TO PRESENT THE REPORT. ACCORDING TO PRESS REPORTS, HE IS UNDERTAKING THE DIFFICULT TASK, BEHIND THE SCENES, OF TRYING TO WIN ENDORSEMENT OF HIS PROPOSALS TO MODIFY THE COST-OF-LIVING ESCALATOR--SEMI-ANNUAL INCREASES AND MINOR "BASKET" ADJUSTMENTS. PRESS REPORTS ARE THAT THE PCI'S ECONOMIC COMMISSION CONVINCED LAMA THAT IT IS NECESSARY FOR THE CGIL TO CONVINCE THE CCU TO AGREE TO THESE UNPALATABLE CONCESSIONS. THE CISL LEADERS, PARTICULARLY THE MODERATES LED BY MARINI AND SARTORI, ARE LIMITED OFFICIAL USE

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GENERALLY AMENABLE TO SOME SACRIFICES TO HELP THE GOI CONFRONT THE ECONOMIC CRISIS, BUT THE UIL'S SOCIALIST LEADERSHIP AND THE SOCIALISTS IN THE CGIL ARE MUCH MORE INTRANSIGENT. EQUALLY INTRANSIGENT ARE THE RUMBLINGS HEARD FROM POWERFUL RANK-AND-FILE ELEMENTS, PARTICULARLY LOCAL METALWORKER ASSEMBLIES IN THE NORTH, MEETING TO PLAN CONTRACT NEGOTIATIONS ABOUT TO OPEN. FIAT WORKERS WILL BEGIN SUCH ASSEMBLIES DECEMBER 9 AND THIS COULD BE A MAJOR TEST OF THE POWER OF THE PCI AND CGIL LEADERSHIP TO WHIP THE RANK-AND-FILE INTO LINE. AT LAMA'S INITIATIVE, THE CCU SECRETARIAT DECIDED TO POSTPONE UNTIL LATER NATIONAL ASSEMBLIES OF LOCAL

DELEGATES WHICH CCU HAD ORIGINALLY PLANNED TO HOLD IN MID-DECEMBER.
BEAUDRY

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